



# House of Representatives

General Assembly

**File No. 811**

January Session, 2009

Substitute House Bill No. 6364

*House of Representatives, April 23, 2009*

The Committee on Appropriations reported through REP. GERAGOSIAN of the 25th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2009.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1      Section 1. (*Effective from passage*) The amounts appropriated to the  
2      following agencies in section 11 of public act 07-1 of the June special  
3      session are reduced by the following amounts for the fiscal year  
4      ending June 30, 2009:

T1	GENERAL FUND	\$
T2		
T3	OFFICE OF POLICY AND	
T4	MANAGEMENT	
T5	P.I.L.O.T. - New Manufacturing and	30,400,000
T6	Machinery	
T7		
T8	STATE COMPTROLLER - FRINGE BENEFITS	
T9	Retired State Employees Health Service Cost	4,320,000
T10		
T11	TOTAL - GENERAL FUND	34,720,000

5       Sec. 2. (*Effective from passage*) The following sums are appropriated  
 6       for the purposes herein specified for the fiscal year ending June 30,  
 7       2009:

T12	GENERAL FUND	\$
T13		
T14	DEPARTMENT OF MENTAL HEALTH AND	
T15	ADDICTION SERVICES	
T16	Personal Services	2,800,000
T17	Other Expenses	2,000,000
T18	AGENCY TOTAL	4,800,000
T19		
T20	DEPARTMENT OF CORRECTION	
T21	Personal Services	2,650,000
T22	Other Expenses	13,070,000
T23	Workers' Compensation Claims	1,200,000
T24	AGENCY TOTAL	16,920,000
T25		
T26	WORKERS' COMPENSATION CLAIMS -	
T27	DEPARTMENT OF ADMINISTRATIVE	
T28	SERVICES	
T29	Workers' Compensation Claims	1,500,000
T30		
T31	UNIVERSITY OF CONNECTICUT HEALTH	
T32	CENTER	
T33	Operating Expenses	11,500,000
T34		
T35	TOTAL - GENERAL FUND	34,720,000

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section

**APP**       *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 09 \$
Various	General Fund	See Below

**Municipal Impact:** None

#### **Explanation**

This bill reduces General Fund appropriations by \$34,720,000 in FY 09 and makes FY 09 deficiency appropriations in the same amount to various agencies indicated below.

<b>Increase in Appropriations:</b>	<b>FY 09</b>
Department of Correction	\$16,920,000
Workers' Compensation Claims - DAS	1,500,000
Dept. Mental Health & Addiction Services	4,800,000
UConn Health Center	11,500,000
<b>Total Increase</b>	<b>\$34,720,000</b>
<b>Reduction in Appropriations:</b>	
OPM - PILOT New Manufacturing & Machinery	(\$30,400,000)
OSC Fringes - Retired State Employee Health	(4,320,000)
<b>Total Reduction</b>	<b>(\$34,720,000)</b>

Changes to the appropriations level in FY 09 have an impact on the calculation of the spending cap (such as reduced appropriations made in previous mitigation measures). The state began the year \$79.6 million under the spending cap. Currently, FY 09 appropriations are under the spending cap by \$60.8 million. Passage of this bill will result in the FY 09 budget being under the spending cap by \$50.9 million, after adjusting for the reduction in PILOT New Manufacturing and

Machinery, a portion of which is un-capped expenditures.

### **Explanation of the FY 09 Deficiencies**

#### **Department of Correction - \$16,920,000**

The agency is currently experiencing a budget shortfall of \$16.9 million, which represents 2.5% of its FY 09 appropriation of \$671.3 million. This assumes that holdbacks of \$4.9 million will be released by OPM.

The agency began the fiscal year with unbudgeted costs of \$26.2 million. This amount represents technical adjustments that were included in the Governor's Recommended Revised Budget for FY 09 but were not provided due to a lack of a budget agreement.

The deficiency relates to operational costs (staffing and expenses) associated with inmate population costs over the budgeted level in FY 09. The current incarcerated population is about 19,000 - 19,100.

#### **Workers' Compensation Claims - Department of Administrative Services - \$1,500,000**

The Workers' Compensation Claims account has a projected net deficiency of \$1.5 million, which represents 6.5% of its FY 09 appropriation of \$23.2 million. The Department of Administrative Services' Workers' Compensation Claims account is responsible for the workers' compensation claims costs for 84 agencies that do not receive a direct workers' compensation appropriation.

The projected deficiency of \$1.5 million is being driven by increases in medical costs and indemnity costs on older claims, as well as the roll-out of the FY 08 deficiency of \$1.3 million.

#### **Department of Mental Health and Addiction Services - \$4,800,000**

The Department of Mental Health and Addiction Services has a projected net deficiency of \$4.8 million, which represents 0.72% of its FY 09 appropriation of \$663 million (includes Disproportionate Share

expenditures). It is anticipated that \$2.8 million available in the Community Mental Health Strategy Board account, Persistent Violent Felony Offenders Act account and General Assistance Managed Care account will be transferred to cover some of the shortfall; this will result in a \$4.8 million net deficiency. This assumes that a Personal Services holdback of \$1,963,008; an Other Expenses holdback of \$848,364; and \$2,248,230 in recisions are not released. If the holdbacks and recisions are released, the deficiency will be eliminated.

The agency's gross deficiency of \$7.6 million is attributed to the Personal Services (\$4.4 million), Other Expenses (\$2.0 million) and Professional Services (\$1.2 million) accounts. The Personal Services shortfall is largely due to increased staffing and overtime costs incurred at the Connecticut Valley Hospital in reaction to the federal Department of Justice and Centers for Medicare/Medicaid Services review and recommendations. The Other Expenses deficiency is due to: 1) repair expenses related to patient safety at various state facilities, 2) continuing increases in utility costs and 3) lease expenses. The Professional Services account deficiency is due to: 1) ongoing training costs resulting from the survey at Connecticut Valley Hospital by the Judicial Department and 2) increased medical services expenditures for several clients in inpatient facilities.

These deficiencies are primarily a rollout of costs that occurred in FY 08 and were not budgeted for in FY 09. sHB 6365 (the budget bill) as favorably reported by the Appropriations Committee includes \$5.1 million in FY 10 and FY 11 to reflect the annualized FY 09 deficiency.

#### **University of Connecticut Health Center - \$11,500,000**

General Fund support for the University of Connecticut Health Center (UHC) is traditionally limited to a block grant for the educational portion of the Health Center's budget. However, the UHC is experiencing a significant overall deficit. The original FY 09 budget, adopted by the UHC Board of Directors and the UConn Board of Trustees, projected an \$11.5 million deficit. It appears at present that certain revenue assumptions, including the level of

Medicare reimbursement and collections for indirect costs of graduate medical education, may not be realized. Therefore, it is possible that the projected deficiency may grow by the end of the fiscal year.

***The Out Years***

Ongoing annualized impacts associated with these deficiencies have been included within sHB 6365 (the budget bill) as favorably reported by the Appropriations Committee on April 2, 2009.

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**OFA Bill Analysis**

**sHB 6364**

***AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE  
FISCAL YEAR ENDING JUNE 30, 2009.***

**SUMMARY:**

The bill reduces General Fund appropriations by \$34,720,000 in FY 09 and makes FY 09 deficiency appropriations in a corresponding amount to various agencies identified in the bill.

EFFECTIVE DATE: Upon passage.

**COMMITTEE ACTION**

Appropriations Committee

Joint Favorable Substitute

Yea 37 Nay 13 (4/13/09)